

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

APPLICATION OF INTERCOAST OIL AND  
GAS COMPANY FOR COMPULSORY POOLING  
AND AN UNORTHODOX GAS WELL LOCATION  
EDDY COUNTY, NEW MEXICO

CASE NO. 11666

APPLICATION OF YATES PETROLEUM CORPORATION  
FOR COMPULSORY POOLING AND AN UNORTHODOX  
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO

CASE NO. 11677

ORDER NO. R-10731

MOTION OF  
YATES PETROLEUM CORPORATION  
FOR  
RECONSIDERATION  
OF  
DIVISION ORDER DENYING  
STAY OF  
DIVISION ORDER NO. R-10731

YATES PETROLEUM CORPORATION ("Yates"), through its attorneys, Kellahin & Kellahin, hereby moves the Oil Conservation Division and the Oil Conservation Division to **reconsider** its Order dated January 30, 1997 in which it denied Yates' Motion for a Stay of Oil Conservation Division Order No. R-10731 pending **de novo** review by the Commission, and as ground therefore states:

**Motion for Stay of Order R-10731**  
**Case Nos. 11666 & 11677**

(1) On January 28, 1997, in Response to Yates' Motion for a Stay, InterCoast asserted that it had a Farmout which would expire on February 18, 1997.

(2) On January 30, 1997, the Division Director **denied** Yates' Motion for a Stay because "(4) Granting the "Stay" would delay the drilling of the well which would risk the loss [by InterCoast] of valuable farmout rights".

(3) Contrary to the assertion of InterCoast, Yates has been advised that InterCoast obtained another extension of its Farmout which is now not due to expire until March 20, 1997. **See Exhibit 1 attached.**

(4) InterCoast is moving a rig onto the location and intends to spud this disputed well tomorrow unless this Stay is granted.

(5) InterCoast's actions are an attempt to pre-empt Yates from having a DeNovo hearing before the Commission.

(6) The Division refused to grant Yates' Stay based upon grounds that are not true;

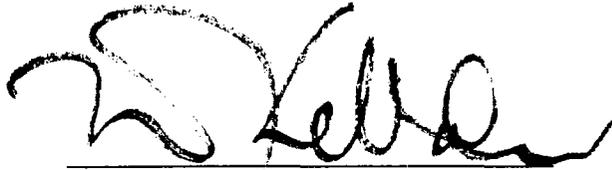
(7) Yates has a right to have these issues reviewed DeNovo by the Commission. Without a stay, before the DeNovo hearing, the time for Yates to make an election to avoid a risk penalty will have run, the well will be drilling, and Yates' rights to a hearing denovo will in fact have been denied.

**Motion for Stay of Order R-10731  
Case Nos. 11666 & 11677**

(8) A stay of Order R-10731 until the De Novo review in February, 1997 will protect the rights of the interest owners in this spacing unit and afford them the DeNovo hearing as guaranteed by the Oil and Gas Act.

WHEREFORE, Yates Petroleum Corporation request that Oil Conservation Division Order R-10731 be stayed in its entirety pending a DeNovo review by the Oil Conservation Commission.

Respectfully submitted,



W. Thomas Kellahin  
Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

ATTORNEYS FOR YATES PETROLEUM CORPORATION

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Motion for Stay was hand-delivered this 7th day of February, 1997 to James Bruce, Esq., Santa Fe, New Mexico 87501



W. Thomas Kellahin

MARTIN YATES, III  
1912 - 1988  
FRANK W. YATES  
1938 - 1988



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S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

February 7, 1997

Attention: Thomas Kellahin  
Kellahin and Kellahin  
Attorneys at Law  
P.O. Box 2285  
Santa Fe, New Mexico 87504-2285

Via Facsimile

RE: NMOCD Cases 11868 and 11877  
Order R-10731

Dear Mr. Kellahin:

This morning, Mecca Mauritsen of our office talked to Ken Gray with Devon (successor in interest to Kerr McGee) concerning their Farmout Option to InterCoast. Ken informed her, Devon had granted the 1st. extension on the Farmout Option to February 18, 1997. A second extension was set up, if needed, to extend the time to March 20, 1997.

I personally spoke with Ken Gray this afternoon, and while Mr. Gray declined to send a letter, he told me he didn't mind informing us that Devon has extended the date under the Farmout Option to InterCoast to March 20, 1997.

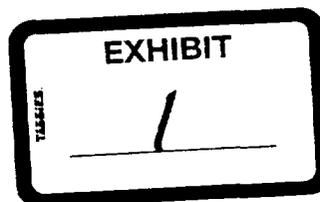
Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Kathy H. Porter, CPL  
Landman

KHP/dc



STATE OF NEW MEXICO  
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ORDER NO. R-10731

**ORDER OF THE DIVISION  
STAYING ORDER NO. R-10731**

**BY THE DIVISION:**

This matter having come before the Division upon the request of Yates Petroleum Corporation for a Stay of Division Order R-10731 and the Division Director having considered the request and being fully advised in the premises,

NOW, on this \_\_\_\_ day of February, 1996, the Division Director:

**FINDS THAT:**

(1) Division Order No. R-10731 was entered on January 12, 1997, upon the competing applications of Yates Petroleum Corporation (Yates) in Case 11677 and InterCoast Oil and Gas Company (InterCoast) for compulsory pooling of the E/2 of Section 20, T20S, R28E, NMPM, Eddy County, New Mexico.

(2) On January 21, 1997, Yates filed a request for a DeNovo hearing wit the

Motion for Stay of Order R-10731  
Case Nos. 11666 & 11677

Oil Conservation Commission, which case is now set for hearing on February 13, 1997.

(3) Division Order R-10731 designates InterCoast as the operator of the well to be drilled and provides the well shall be commenced by April 15, 1997.

(4) Yates has complied with the provision of Division Memorandum 3-85 and has filed its request for a stay of Division Order R-10731 on January 24, 1997.

(5) Allowing InterCoast to drill the well pursuant to Division Order R-10731 prior to the February 13, 1997 De Novo hearing would effectively deny much of Yates' request for a hearing DeNovo because InterCoast would be the operator for purposes of drilling the subject well.

**IT IS THEREFORE ORDERED THAT:**

(1) Division Order No. R-10731 is hereby stayed in its entirety until the Commission rules on the evidence presented at the February 13, 1997 DeNovo hearing.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director

S E A L